

ACA

RESTRUCTURING CHECKLIST

Farm Credit Administration

August 1999

**PROCEDURES FOR OBTAINING
FCA APPROVAL TO RESTRUCTURE AN ACA
TO OPERATE WITH A SUBSIDIARY PCA AND FLCA**

Overview

These procedures apply to requests from ACAs that want to restructure by establishing PCA and FLCA subsidiaries. The procedures set out a prescribed format for preparing and submitting your application to the Farm Credit Administration (FCA), using the instructions provided in the Documentation and Information Checklists that are attached. Also, the FCA may be able to expedite the review and processing of your application if it meets certain criteria. To determine whether your application can be expedited, please see the section below on **Expedited Procedures**. Even if FCA cannot expedite your application, you should still follow the procedures outlined here to prepare and submit your application.

Filing an Application with FCA

1. Following approval of the proposal by your affiliated bank, send three (3) complete copies of your application (one original and two copies) including all disclosure and nondisclosure items to:

THE FARM CREDIT ADMINISTRATION
SECRETARY TO THE BOARD
1501 FARM CREDIT DRIVE
MCLEAN, VA 22102-5090

2. We will send you a letter to acknowledge receipt of your application in FCA. After we determine that your application is complete, we will send you a letter (addressed to the CEO) notifying you of the expected time frame for processing your application and stating whether we will process it under expedited procedures. Please make no assumptions regarding the FCA's approval during this period. We will inform you directly concerning approval or disapproval of your application.
3. You must provide to FCA a complete package which contains all the items identified in the Documentation Checklist unless the item requested is not relevant to your application. Please explain all nonapplicable items under Explanatory Notes, Section B, at the end of the Information Checklist.
4. In filing your application with FCA, please complete and include the attached Transmittal Sheet, Documentation Checklist, and Information Checklist.

Preliminary Approval

1. We will notify your board chairman and CEO of the FCA Board's action on your application. In most cases, you can expect to receive a written approval or disapproval of your application by the date specified in the letter to the CEO. After we have notified you that the FCA has preliminarily approved your application and the related disclosure to stockholders, you may submit the disclosure to your stockholders for a vote. If the FCA's preliminary approval is subject to conditions which we have imposed, we will require that (a) your board of directors accept the conditions by board resolution, (b) you disclose the conditions in the disclosure to your stockholders, and (c) you provide us with a certified board resolution and the revised disclosure so that we can confirm our preliminary approval before you distribute your revised disclosure to your stockholders.

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2. We will consider preliminary approval of your application if you satisfy all of the following minimum requirements:
 - a. Your application includes those documents listed on the Documentation Checklist and the information specified in the Information Checklist in accordance with instructions;
 - b. Your disclosures to stockholders are adequate, i.e., no misrepresentation of facts and no statements that would mislead stockholders;
 - c. Your plan of restructuring contains no provisions that would result in unsafe or unsound operations;
 - d. As restructured, your ACA, with its subsidiaries, demonstrates that the consolidated institution is capable of generating a positive income flow, sufficient to maintain its capital at a level that is determined adequate, based on statutory and regulatory requirements; and
 - e. The FCA's examination and supervisory processes indicate that management is effective and competent.

Disapproval

If the FCA Board disapproves your application, we will notify you and provide the reasons for our action. The notice will be in writing and will be sent to your board chairman and the CEO. You may resubmit your application for reconsideration, provided that you remove or eliminate the bases for the disapproval.

Final Approval

After your stockholders have approved your plan of restructuring, we will ask you to submit the following documents to the FCA to obtain final approval and the necessary charters for the subsidiary PCA and FLCA:

1. A certified copy of the stockholders' resolution on the Plan of Restructuring as adopted by the ACA's stockholders.
2. A certification by the ACA's corporate secretary of the results of the vote, stating that a quorum was present at the stockholders' meeting and that a majority of stockholders, voting either in person or by proxy, approved:
 - the petitions to establish the PCA and FLCA;
 - the Plan of Restructuring; and
 - the proposed capitalization bylaws for the three associations.
3. Two copies of the printed disclosure mailed to the ACA's stockholders.
4. A dated notice from the ACA to its stockholders notifying them of the results of the vote.
5. An original Plan of Restructuring, signed by the authorizing officials of the ACA.
6. Two sets of the signed Articles of Incorporation for the PCA and Articles of Association for the FLCA.
7. The original petitions to establish the PCA and FLCA signed by at least 10 eligible incorporators and a statement signed by the Farm Credit bank CEO supporting the petitions.
8. Any other documents that FCA may request in its preliminary approval letter.

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We will determine whether you have complied with all the requirements and conditions for final approval. We will also confirm that no unusual or unforeseen events have occurred that would have an adverse effect on the ACA or its proposed subsidiaries since we preliminarily approved your application. Once we have determined the effective date of the restructuring, taking into consideration your proposed effective date, we will mail our final approval letter with the charters and approved Articles of Incorporation for the PCA and Articles of Association for the FLCA. We will send the original charters and approved Articles to your CEO.

Expedited Procedures

Expedited Processing - For efficiency and equitability, we will use the criteria discussed below to expedite processing association restructuring applications. We will process applications for preliminary approval on a monthly basis. Applications received during the month of September should be acted on by the end of October. In addition, assuming the association meets all the requirements for final approval during the month of November, the effective date of the ACA's restructuring request could be established as early as January 1.

Qualifying Criteria - We will use the following criteria to evaluate whether an association's restructuring application is eligible for expedited processing as described above.

Qualifying Criteria	Expedited Processing	Additional Processing
1. Certification* that application is the same as Agency model in all material respects.	Yes	No
2. Association(s)' most recent composite FIRS rating(s) is a "1" or "2" with no material deteriorating trends.	Yes	No
3. Affiliated bank's approval and certification** that application is the same as Agency model in all material respects.	Yes	No or fails to act affirmatively
4. Other policy or regulatory issues imbedded in the application, e.g., merger, territorial changes, expanded services, etc.	No	Yes
5. Application incorporates conditions of approval identified in the model application; e.g., associations must agree to cross collateralization and guarantee each other's obligations, etc.	Yes	No

* Certification required by association's Chief Executive Officer(s) and General Counsel or external legal counsel.

** Certification required by bank's General Counsel.

If the Agency has safety or soundness concerns with an association's ability to operate under a more complex corporate structure, the FCA Board may impose supervisory conditions on the ACA and its subsidiaries to address identified weaknesses. Such conditions would be in addition to the conditions of approval contained in the model application.

Restructuring Applications Requiring Additional Processing – We will process applications separately that do not qualify for the expedited process in the order we receive them. Restructuring applications that include merger requests, which are subject to a 60-day statutory review, will require additional processing. We will process all merger requests within the statutory time frame. In addition, we will make an effort to complete work on the restructuring application within the same time frame. However, in certain instances we may find it impossible to process the restructuring application within the same time frame as the merger request. When this occurs, we will work closely with association personnel to ensure that the ACA can submit both proposals for its shareholder vote at the same time.

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Shareholder approval of any merger is subject to a 35-day reconsideration period. Therefore, an ACA submitting a merger request with its restructuring application must accommodate this 35-day requirement before the final effective date.

General Information

Please submit the required information as provided in the Documentation and Information Checklists.

1. Use of the Form

- a. In the space provided on the Documentation Checklist, use an “X” to indicate that the material is included under the tab shown. In the space provided on the Information Checklist, indicate the page number or other index number in which the information is presented within the tab. Use “N/A” for any nonapplicable items and give a short statement at the end of the information checklist explaining why the item is not applicable.
- b. See Information Checklist for detailed instructions for each item in the Documentation Checklist.

2. Terminology

- a. The Act – refers to the Farm Credit Act of 1971, as amended. 1987 Act – refers to the Agricultural Credit Act of 1987.
- b. Farm Credit Bank (FCB) or Agricultural Credit Bank (ACB) – refers to the System bank with which the ACA is currently affiliated.
- c. Restructure and Restructuring– refers to the formation of the PCA and FLCA as wholly owned subsidiaries of the ACA unless otherwise specified.
- d. Plan of Restructuring – the ACA’s written plan governing the terms and conditions of the restructuring transaction.

3. Rules for Presentation

- a. The documents submitted to the FCA shall be organized in the same order as listed on the Documentation Checklist. The ACA has flexibility to present the documents to stockholders in the order it chooses unless otherwise required by the FCA.
 - b. Information furnished shall be presented with an appropriate heading to identify the subject matter it relates to.
4. Submission of Checklists – Each request to the FCA for preliminary approval of a restructuring shall be accompanied by the Transmittal Sheet, Documentation Checklist, and the Information Checklist, complete with the information requested.
5. Updates to Financial Statements – If you wish to include your most recent unaudited financial statements in the disclosure after you receive our preliminary approval, you must submit these financial statements to us for clearance before you include them in your disclosure to your stockholders.
6. ACA and Employee Representations – No director, officer, or employee of a bank or an association shall make an oral or written representation to any person that a preliminary or final approval by the FCA of an ACA restructuring constitutes, directly or indirectly, either a recommendation on the merits of the transaction or an assurance concerning the adequacy or accuracy of any information provided to the ACA's stockholders in connection therewith.

**Request for Approval
To Restructure an ACA
To Operate With A Subsidiary PCA And FLCA**

Transmittal Sheet

Bank Affiliation: _____

Coordinator Name: _____

Telephone: (____) _____ FAX Number: (____) _____

Also coordinator for Financial Forecasts (if a different person) _____

Telephone: (____) _____

Requesting ACA:

Entity Name: _____

CEO Name: _____

Mailing Address: _____

City, State, Zip Code: _____

E-mail address: _____

Board Chairman Name: _____

Mailing Address: _____

City, State, Zip Code: _____

Proposed legal names of subsidiary PCA and FLCA: _____

Headquarters office location (City/County/State): _____

Date of approval of restructuring by Farm Credit Bank or Agricultural Credit Bank: _____

Date of request to FCA for preliminary approval: _____

Proposed date of stockholders' meeting: _____

Proposed effective date of restructuring: _____

Does your application qualify for expedited processing? _____ Yes _____ No

If you check yes, please include at Tab 17 of your application the certifications required by items 1 and 3 under "Qualifying Criteria" under **Expedited Procedures**.

Documentation Checklist

Use "X" or "N/A"

GLOSSARY

- ## SECTION B – ADDITIONAL DOCUMENTS FOR FCA USE ONLY

- APP-2

**Request for Approval
To Restructure an ACA
To Operate With A Subsidiary PCA And FLCA**

Information Checklist

(Name of the requesting ACA and each subsidiary entity)

SECTION A – DISCLOSURE TO SHAREHOLDERS

Section A information contains disclosure material to shareholders.

_____ **GLOSSARY** – Provide definitions of the key terms used throughout the disclosure materials.

Page number,
other index
number, or
"N/A"

TAB 1. NOTICE OF STOCKHOLDERS' MEETING AND FCA DISCLAIMER STATEMENT — The requesting agricultural credit association (ACA) must furnish a notice of meeting to stockholders. The notice shall:

- _____ 1. Give the date, time, and place of the stockholders' meeting.
- _____ 2. State the board resolution or board-approved action that is to be considered and voted on by stockholders, including: (a) plan of restructuring; (b) stockholder approval of the capitalization bylaws for the ACA and for each subsidiary association; and (c) the petitions to form the Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries as a part of the restructuring plan.
- _____ 3. Identify the requirements for stockholder approval.
- _____ 4. List attached documents and any supplemental disclosure material that is not enclosed but is available upon request. The notice shall provide instructions on how to obtain this supplemental material and financial statements, including the address, telephone number, and name or title of the employee or officer that stockholders should contact for the information.
- _____ 5. Refer to the proxy, proxy authorization, and instructions included in the material and list the deadline for receipt of the proxy at the headquarters office.
- _____ 6. Include the following disclaimer in capital letters and bold face type at the bottom of the notice or on the first page of the disclosure material:

**THE FARM CREDIT ADMINISTRATION HAS NEITHER APPROVED
NOR PASSED UPON THE ADEQUACY OR THE ACCURACY OF THE
INFORMATION ACCOMPANYING THE NOTICE OF MEETING OR
PRESENTED AT THE MEETING AND NO PRESENTATION TO THE
CONTRARY SHALL BE MADE OR RELIED UPON.**

Information Checklist

- _____ 7. Provide instructions to stockholders not eligible to vote, including preferred stockholders, on how to obtain disclosure materials. These nonvoting stockholders should receive notice of the meeting. However, participation certificate holders with active loans are to receive all material provided to voting stockholders.

TAB 2. PROXY INSTRUCTIONS, PROXY AUTHORIZATION, AND PROXY BALLOT –
Stockholders shall be permitted to vote by proxy. The proxy instructions shall:

- _____ 1. Allow the stockholder to designate someone other than the named director(s) to serve as proxy provided that the designated person is a voting stockholder of that entity and attends the meeting in order to cast the proxy ballot.
- _____ 2. Indicate that a stockholder may revoke the proxy and the authority represented therein at any time prior to balloting at the stockholders' meeting.
- _____ 3. Provide a space for the stockholder to sign and date the proxy authorization.
- _____ 4. Separate the proxy ballot from the proxy authorization to ensure the stockholder's rights to a secret ballot (section 4.20 of the Act).
- _____ 5. Eliminate any requirement for signature on the ballot for voting at the meeting to ensure the stockholder's right to a secret ballot.

TAB 3. BOARD OF DIRECTORS' STATEMENT AND SUMMARY OF THE RESTRUCTURING –
Provide a statement by the board of directors of the ACA addressing, at a minimum, items 1 and 2, and a description of the restructuring addressing, at a minimum, items 3 through 11:

- _____ 1. The basis for the board of directors' recommendation that stockholders approve the proposed restructuring.
- _____ 2. The alternatives considered by the board of directors with an explanation of why they were not chosen over the restructuring.
- _____ 3. The background of and purpose for the restructuring, including its objectives and goals.
- _____ 4. A description of the restructuring including:
- a. The effect on the ACA on the effective date of the action—for example, the ACA's wholly owned subsidiary associations will conduct the lending operations conducted by the ACA before the effective date and the ACA will not conduct lending operations;
 - b. Lending authorities of the subsidiary associations.
 - c. The ownership and capital structure of the ACA and each subsidiary.
- _____ 5. Governance of the ACA and each subsidiary by the same board of directors.
- _____ 6. Personnel matters – Summarize the personnel and management structure of the ACA and each subsidiary, including how personnel and personnel costs will be allocated among the ACA and its subsidiary associations.
- _____ 7. Capitalization of the ACA and subsidiary associations.
- _____ 8. Funding the lending operations of the ACA and each subsidiary association.

Information Checklist

- _____ 9. Brief description of relevant agreements necessary to effect the restructuring, including the general financing agreement (and promissory note), loan transfer and services agreement, and any agreement required by the FCA (see Tab 14).
- _____ 10. The tax implications of the restructuring.
- _____ 11. The impact of the restructuring on the members of the ACA.

TAB 4. STATEMENT OF ADVANTAGES AND DISADVANTAGES OF THE ACA RESTRUCTURING – Present a balanced view of the following to stockholders, and provide justification for all statements that project future financial results, such as tax savings and changes in operating costs, interest rates, or earnings:

- _____ 1. The advantages of the restructuring. For example, increased capacity to build capital, promote long-term viability, competitive position, and customer services.
- _____ 2. The disadvantages of the restructuring. For example, more complex corporate structure, allocation of income and expenses among three entities, increased operating costs, loss of deferred tax asset, and one-time implementation costs.
- _____ 3. A cost/benefit analysis of the restructuring that includes a comparison of tax and other savings versus one-time and recurring costs over a 5-year period with the current year as the initial year of the comparison.

TAB 5. SUMMARY OF TAX MATTERS – Furnish the following information to stockholders and indicate whether or not a legal opinion or Internal Revenue Service (IRS) ruling on the tax effects of the proposed restructuring has been or will be obtained:

- _____ 1. A statement with respect to possible Federal income tax consequences on the ACA and the subsidiary associations resulting from the restructuring.
- _____ 2. A statement of any adverse tax consequences to the stockholders of the ACA and subsidiary associations as a result of the restructuring.

Reference should be made to the pertinent sections of the Plan of Restructuring if a legal opinion or IRS ruling on tax effects of the restructuring is to be obtained (also see Tab 6).

TAB 6. PLAN OF RESTRUCTURING – Furnish information on the following and clearly label the information presented in the plan:

- _____ 1. **PREAMBLE** – Contains name of the ACA and the purpose for the restructuring
- _____ 2. **FORMATION OF SUBSIDIARY ASSOCIATIONS** – Explains the process for organizing the subsidiary PCA and FLCA, including a description of the territory each will serve after the effective date of the restructuring.
- _____ 3. **LENDING AUTHORITIES** – Include a description of the lending authorities that the ACA and each subsidiary association will possess after the effective date of the restructuring.
- _____ 4. **ASSETS AND LIABILITIES** – Describe the mechanics and conditions under which the ACA will transfer its assets and liabilities to each subsidiary association.
- _____ 5. **STOCK OWNERSHIP STRUCTURE** – Furnish a statement explaining the stock ownership structure of the ACA and each subsidiary association after the effective date of the restructuring.

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- _____ 6. **BOARD OF DIRECTORS** – Describe the process for the election and appointment of the ACA’s board of directors, including the outside director, to serve as the board of directors for each subsidiary association. If the territory served by the ACA and the subsidiary associations is to be apportioned into geographic regions, provide details as to how directors are to be nominated and elected by region as required by 12 CFR 615.5230(a)(3). Procedures for the regional election of directors must be provided for in the bylaws which can take effect only upon approval of the majority of stockholders of the entity voting in person or by proxy at a duly authorized stockholders’ meeting at which a quorum is present.
- _____ 7. **OFFICERS AND EMPLOYEES** – Describe the management and employee structure for the ACA and each subsidiary association, including how personnel, personnel related costs and other operating costs will be allocated among the ACA and its subsidiaries.
- _____ 8. **FUNDING REQUIREMENTS** – Describe the process by which the lending operations of the ACA and subsidiary associations will be funded, including the requirements for bank capitalization by the ACA and that the ACA and each subsidiary association will be jointly and severally liable on loans from the bank under the General financing agreement.
- _____ 9. **CONDITIONS TO BE MET PRIOR TO EFFECTIVE DATE** – Provide a statement containing the conditions that must be satisfied before the effective date of the restructuring, including approval by the board of directors of the ACA and the affiliated bank, preliminary approval of the plan of restructuring and disclosure materials by the FCA, ACA voting stockholder approval, FCA final approval and issuance of charters to the subsidiary associations, and receipt of IRS rulings or opinions of legal counsel.
- _____ 10. **PROPOSED EFFECTIVE DATE** – State the proposed effective date of the restructuring.
- _____ 11. **AMENDMENT PROVISION** -- Furnish a statement on how the ACA may amend the restructuring plan after FCA’s preliminary approval and after stockholder approval.
- _____ 12. **TERMINATION OF PLAN BY THE ACA BOARD OF DIRECTORS** – Furnish a statement on conditions under which the restructuring plan could be terminated.
- _____ 13. **AUTHORITY TO EXECUTE DOCUMENTS** – Furnish a statement as to the authority of those persons designated to carry out the terms of the plan, including the authority to waive provisions of the plan and to execute any documents necessary to effect the intent and purposes of the restructuring plan.
- _____ 14. **EXECUTION OF PLAN AND SIGNATURES** – Furnish a concluding section on the execution of the plan, with signature blocks for approval of the plan by the board or other officials authorized to sign the plan, and space for date of execution and corporate seal of the ACA.
- _____ 15. **EXHIBITS** – The following shall be included in exhibits as a part of the plan:
- _____ a. Each subsidiary association’s Articles of Incorporation (PCA) and Articles of Association (FLCA).
- _____ b. The proposed charter for each subsidiary association.
- _____ c. A schematic of the ACA subsidiary structure showing the stock ownership of the ACA and subsidiaries, lending relationship between borrowers and the ACA and subsidiaries, and the lending relationship between the affiliated Farm Credit bank, the ACA, and subsidiaries.
- _____ d. A combined capitalization plan for the ACA and subsidiary associations meeting the requirements of 12 CFR 615.5200(b). The plan must be supported by capitalization bylaws which can take effect only upon approval of the majority of voting stockholders of the ACA voting in person or by proxy at a duly authorized stockholders' meeting at which a quorum is present.

Information Checklist

_____ e. New/amended bylaws for the ACA and bylaws for each subsidiary association.

_____ (1) The bylaws shall include the capitalization bylaws that meet the requirements of section 4.3A(b) of the Act and 12 CFR 615.5220. The capitalization bylaws of each subsidiary association must provide for the issuance of voting stock in the subsidiary to the ACA only. The amendments provision of the bylaws for the ACA and each subsidiary association shall ensure that any amendment to the capitalization bylaws to remove the right of stockholders to cumulate their votes in the election of directors will require approval by the voting stockholders of the ACA in accordance with 12 CFR 615.5230(a)(1)(ii). The amendments provision shall also ensure that any change to the capitalization bylaws of the ACA or any subsidiary association shall not become effective unless approved by the voting stockholders of the ACA voting in person or by proxy at a duly authorized stockholders' meeting. The capitalization bylaws must also provide that each issuance of preferred stock as defined in 12 CFR 615.5230(b)(1) be approved by the majority of the shares of each class of equities of the ACA affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote. The ACA shall include the capitalization bylaws' amendment provision as a section of its capitalization bylaws.

_____ (2) Associations have the discretion to include the provisions of section 4.3A(f) in their capitalization bylaws. The following is a summary of the provisions. If included in the capitalization bylaws, the provisions, however stated, must be consistent with section 4.3A of the Act.

The Farm Credit Reform Act of 1996 amended section 4.3A of the Farm Credit Act (Act) so that, as a general rule, borrowers are no longer required to purchase voting stock or participation certificates from Farm Credit System (System) institutions for loans that are designated for sale to a secondary market. Section 4.3A(f) of the Act authorizes System institutions to provide, in their capitalization bylaws, that: **Loans made on or after February 10, 1996**, that are designed for sale into a secondary market do not require the borrower to purchase voting stock or participation certificates. However, an exception to this provision states that if a loan is not sold into a secondary market during the 180-day period that begins on the date of its designation for sale, the voting stock or participation certificate purchase requirement that would otherwise apply to the loan in the absence of a bylaw provision (as summarized here) shall be effective. The exception also states that if such a loan is sold into a secondary market *after* the end of the 180-day period, all outstanding voting stock or participation certificates held by the borrowers with respect to the loan shall be retired, as long as the System institution is meeting its minimum regulatory capital adequacy requirement. **For loans made before February 10, 1996**, that are designated for sale into a secondary market, the outstanding stock or participation certificates held by the borrower shall be retired, as long as the System institution is meeting its minimum regulatory capital adequacy requirements.

_____ (3) The bylaws shall also state that the ACA or the subsidiary associations shall not indemnify nor purchase or maintain insurance to indemnify any person against expenses, penalties, or other payments incurred as a result of an administrative proceeding or action instituted by the FCA which results in a final order assessing civil money penalties personally against such individual or individuals or requiring affirmative action by such individual or individuals to make payments to any of the associations.

_____ (4) The bylaws should state whether a director may serve or is prohibited from serving simultaneously as (1) a director of a System institution other than the ACA or the subsidiary associations, or (2) a director, officer, or employee of another financial institution other than the ACA or the subsidiary association which is authorized to make the same types of loans as the ACA or subsidiary associations. The bylaws shall not provide for a determination on simultaneous service to be made by the board of directors on a case-by-case basis.

Information Checklist

- _____ (5) The bylaws shall also ensure that an outside director will be automatically removed if he/she becomes a director of a System institution other than the ACA or the subsidiary associations or a officer, employee, agent, or stockholder of any System institution. Also, the outside director shall have the same term and basis for removal as ACA stockholder elected directors.

The bylaws shall ensure that the affiliated FCB or ACB has no approval authority in the corporate governance of the ACA or the subsidiary associations other than that mandated by law.

TAB 7. PETITIONS TO CHARTER THE PCA AND FLCA AND THE BANK'S STATEMENT IN SUPPORT OF THE PETITIONS.

- _____ 1. Provide separate Petitions for Charter to Form the PCA and FLCA under the authority of sections 2.0 (PCA), section 2.10 (FLCA), and 5.17 of the Act and on behalf of the ACA's voting stockholders. Each petition shall indicate that the signatories are eligible to file the petition, and that upon receipt of the respective charters and thereafter, the ACA will acquire and own all the voting stock of the subsidiary.
- _____ 2. Provide the affiliated bank's statement in support of the Petitions for Charter. The statement shall include the basis for the bank's support and how the ACA and subsidiary associations will serve the territory that the ACA served before the restructuring.

TAB 8. SUMMARY OF THE BYLAW CHANGES – Furnish the following information:

- _____ 1. A summary of the significant differences between the ACA's bylaws before and after the restructuring.
- _____ 2. If the ACA's chartered territory is to be apportioned by region for purposes of nomination and election of directors, include a map to show the different regions which also denotes stockholder distribution pursuant to 12 CFR 615.5230(a)(3). Unless prohibited in the capitalization bylaws, stockholders will be allowed to cumulate their votes and distribute them among the candidates in the stockholder's discretion pursuant to 12 CFR 615.5230(a)(1)(ii).

TAB 9. CERTIFIED RESOLUTION FROM THE ACA BOARD OF DIRECTORS – Furnish the following information to:

- _____ 1. Describe the board's position approving the restructuring.
- _____ 2. Include statements to indicate that the board authorizes the restructuring in accordance with the terms and conditions of the plan of restructuring.
- _____ 3. Authorize and direct officers to perform any and/or all authorized actions to carry out the intent and purpose of the board's resolution and to convene the necessary stockholders' meeting.
- _____ 4. If the board will not sign the restructuring plan, designate an officer to sign the plan and to obtain the regulatory approval to effectuate the plan after stockholders have approved it.
- _____ 5. Contain a certification by the board or corporate secretary or assistant secretary with an inked signature, the signatory's title, the date of the board's resolution, and the certification date.

TAB 10. APPROVAL OF AFFILIATED FCB OR ACB – Furnish the affiliated Farm Credit bank's approval of the proposed restructuring. A certified resolution of the board of directors of the FCB or ACB will satisfy this requirement.

Information Checklist

TAB 11. FINANCIAL STATEMENTS – Provide the following:

- _____ 1. **PUBLISHED FINANCIAL STATEMENTS** –The disclosure should include the ACA’s most recent published financial statements available. Updated unaudited financial statements must be submitted to the FCA for clearance before they are included in the disclosure.
- _____ 2. **PRO FORMA FINANCIAL STATEMENTS** – Provide historical pro forma financial statements of the ACA and each subsidiary for prescribed comparative periods in a columnar form. Prescribed comparative periods are the most recent quarter-end prior to the application filing date with FCA and most recent fiscal year-end presented on a comparative basis with the corresponding periods of the previous fiscal year. The financial statements need only include a balance sheet and income statement presented as if the restructuring had occurred as of the prescribed dates.

SECTION B – ADDITIONAL DOCUMENTS FOR FCA USE

Section B contains additional information that the ACA must submit with the application. An ACA with a FIRS rating of “1” or “2” must submit all Tabs, except Tab 13. An ACA that does not have a FIRS rating of “1” or “2” must submit all Tabs, except Tab 12.

- _____ **TAB 12. FINANCIAL PROJECTIONS**– Projections must be for the 5-year period beginning with the current year and should demonstrate how the restructured ACA, on a consolidated basis with the subsidiaries, would obtain its projected level of permanent capital and meet the minimum permanent, core surplus, and total surplus capital requirements (e.g., through accumulation of earnings, contributions by stockholders, or financial assistance from other System institutions). Projections must be provided for the ACA on a stand-alone basis for each alternative considered (e.g., use of Subchapter T), and for the restructured ACA.

TAB 13. LIMITED-USE FINANCIAL FORECASTS– The forecasts filed under this tab are for limited use by the FCA. The forecasts should be for the periods indicated below and should demonstrate how the restructured ACA on a consolidated basis with the subsidiaries would obtain its forecasted level of permanent capital and meet the minimum permanent, core surplus, and total surplus capital requirements (e.g., through accumulation of earnings, contributions by stockholders, or financial assistance from other System institutions). Also disclose in the forecast how bank distributed equities will be allocated between the bank and the restructured ACA.

The forecast is to include the following information:

- _____ a. Three-year prospective financial statements, i.e., balance sheet and income statement, for the restructured ACA. The forecast period shall cover at least 3 years of future operations in addition to the current year (full year) operations;
- _____ b. Pro forma financial statements for the prior year as if the restructuring had been in effect as of the prior year-end;
- _____ c. Permanent capital, core surplus, and total surplus ratios for the forecast period including a detailed calculation of permanent capital and risk-adjusted assets for each year of the forecast period and explanation of the three ratios; and
- _____ d. Summaries of the significant assumptions (and the basis for each assumption) used to develop the forecast and accounting policies. The bases for the assumptions should be reasonable and realistic and provide justification from a historical or comparative perspective. Financial assumptions may be disclosed in computer printout or electronic spreadsheets and disclosure of accounting policies may be accomplished by cross-referencing to the information contained elsewhere in the documents submitted.

Information Checklist

The FCA may require additional information to support the forecast or “what if” scenarios, e.g., the best and/or the worst cases, as considered necessary.

Please refer to Appendix A of this checklist for guidance on information that may be used to prepare the limited-use financial forecast for FCA.

TAB 14. RELEVANT AGREEMENTS – Provide a copy of the following agreements:

- _____ a. General financing agreement and promissory note with the funding bank (GFA)—The GFA must provide that: (a) the ACA and its subsidiaries are jointly and severally liable on any loan from the bank; and (b) only the ACA will hold voting stock in the bank.
- _____ b. The agreement between the ACA and the applicable subsidiary association on the transfer of loan assets, assumptions of liabilities, evidence of transfer, issuance of stock by the subsidiary in exchange for transferred assets, and closing and delivery of loan files.
- _____ c. Services agreement on the ACA’s provision of personnel, facilities, equipment and proprietary technology for use by each subsidiary, fees for services, and billing/collection arrangements.
- _____ d. The written agreement, to be executed by the ACA and each subsidiary on the effective date of the restructuring, pledging all current and future assets of each association to collateralize and secure each debt and other legal obligation that any of the associations owe to any individual or legal entity.

_____ **TAB 15. OTHER SIGNIFICANT MATTERS** – Information as to any other material facts or circumstances that the stockholder would need in order to make an informed decision on the proposal, or that is necessary to make the required disclosures not misleading.

_____ **TAB 16. CEO CERTIFICATION** – Furnish a certification by the CEO of the ACA for accuracy and truth of all documents submitted.

_____ **TAB 17. MODEL APPLICATION CERTIFICATIONS** – Furnish a certification by the CEO of the ACA and General Counsel or external legal counsel and a certification by the affiliated bank’s General Counsel that states whether the application, in all material respects, is the same as the Model Application for an ACA restructuring. The certifications should specify how the application differs from the Model Application.

_____ **TAB 18. TRANSMITTAL SHEET AND CHECKLISTS** – Indicate the page number or other index number where the information is presented (or “N/A” for any nonapplicable items) in the space provided. Return the completed Documentation and Information Checklists to the FCA with your application and the Transmittal Sheet.

Information Checklist

Section B -- EXPLANATORY NOTES

[illegible]

Information for Preparation of Financial Forecast for FCA's Limited Use Only

Pro forma financial statements for the prior and current years and a minimum of 3 years of financial forecasts for future operations of the restructured ACA and its subsidiaries, on a consolidated basis, are required. Each of the following items should be included with the financial forecasts whenever available and applicable. A reference is provided, where applicable, to the Call Report schedule line items that request the same information.

<u>ITEM</u>	<u>CALL REPORT REFERENCE</u>
Accrual Loan Volume	RC Lines 4a+4b+4c+4d
—Long-Term Accrual Loan Volume	
—Short-Term Accrual Loan Volume	
—Long-Term Sales Contracts	
—Short-Term Sales Contracts	
—Loan Participations Purchased	
<u>Participations Sold</u>	RC.1 Line 1f
Nonaccrual Loan Volume	RC Line 4e
—Long-Term Nonaccrual Loans	
—Short-Term Nonaccrual Loans	
—Cash Basis Nonaccrual Loans	
(RC-F Line 3a, column D)	
Average Lending Rates	N/A
—Long-Term Accrual Rate	
—Short-Term Accrual Rate	
—Long-Term Sales Contract Rate	
—Short-Term Sales Contract Rate	
—Purchased Participation Loan Rate	
—Sold Participation Loan Rate	
Accrued Interest Receivable	RC Line 5a+5b+5c+5d
Number of Months of Accrued Interest Receivable	N/A
—Short-Term Loans	
—Long-Term Loans	
Allowance for Loan Losses	RC Line 4f
Allowance Factor	N/A
—Long-Term and Short-Term Accrual Loans	
—Long-Term and Short-Term Sales Contracts	
—Participation Loans Purchased	
—Participation Loans Sold	
—Nonaccrual Loans	
Other Property Owned	RC Line 7

Investment in Other System Institutions	RC Line 6
—Required Investment (investment in bank)	
—Excess Investment (investment in bank)	
—Investment in other FCIs	
Bank Investment Rate	N/A
—Investment rate (in bank)	
—Balance(s) on which investment is based	
Marketable Investments	RC Line 2
Accrued Interest Receivable (for marketable investments)	RC Line 5e
Other Assets	RC Line 1+3+8+9
Interest Bearing Debt	RC Line 11+12+13
FAC Debt Payable	RC.1 Line 3(c)
FCSIC Debt Payable	RC.1 Line 3(f)
Average Cost of Debt	N/A
Accrued Interest Payable	RC Line 15d
Number of Months of Accrued Interest Payable	NA
Other Liabilities	RC Lines 14+16
Protected Equities	RC-H Lines 1+3+10
At-Risk Stock	RC-H Lines 2+4+5+6
Borrower Stock Requirements	N/A
—Short-Term, Long-Term, Participation requirements (e.g. 2% of Loan amount)	
Allocated Surplus (at risk)	RC-H Lines 11
Unallocated Surplus	RI Lines 12 through 16
Total Net Worth	RC Line 21
Interest Income	RI Line 1a+b+c+d+f
—Long-Term and Short-Term Accrual Loans	
—Long-Term and Short-Term Sales Contracts	
—Participation Loans Purchased	
—Participation Loans Sold	
—Cash Basis Nonaccrual Loans	
—Balance(s) on Which Income is Based	
Interest Income from Marketable Investments	RI Line 1e
Noninterest income	RI Line 5a through 5d +
—Detailed Breakdown of Major Income Items	RI-A Lines 1 through 8

Interest Expense —Balance on Which Expense is Based	RI Line 2d
Provision for Loan Losses	RI Line 4a
Operating Expenses —Detailed Breakdown of Major Expense Items	RI-C Lines 1 through 9
Other Noninterest Expenses —Detailed Breakdown of Major Expense Items	RI-C.1 Lines 1 through 5 + RI Line 4b
Operating Expense Rate —Cost per \$100 Average Gross Loan Volume	N/A
Other Gains or Losses	RI Line 6+11
Income Taxes	RI Line 9
Detailed Calculation of Income Taxes including Income Tax Rate	N/A
Net Loan Charge-Offs	RI-E Line 3 minus 4
Patronage	RI-D Column E Line 8
Patronage Rate —Rate of patronage —Balance on which paid —Percent paid in cash —Type of capital of amounts not paid in cash	N/A
Detailed Calculation of Core Surplus including __Undistributed earnings/unallocated surplus as defined in Call Report instructions (URE) __Net investment in affiliated bank (as defined in regulations section 615.5301 (subtracted) __Perpetual, noncumulative stock (PS) __Allocated equities with a revolvment plan of ≥ 5 years and a distribution plan ≥ 3 years __Nonqualified, allocated equities with no plan or practice of revolvment	N/A
Detailed Calculation of Total Surplus including __URE __PS __Allocated equities with a revolvment plan of ≥ 5 years __Term stock with original maturity ≥ 5 years (reduced by 20%/year in last 5 years of term), __Equities counted by an affiliated System institution toward its permanent capital requirement (subtracted)	N/A

**Detailed Calculation of Permanent Capital
and Risk-Adjusted Assets including:**

N/A

- Percentage of association purchased and
Allocated Investment in FCB or ACB which can be
counted as permanent capital at the association
level

**Any other significant items unique to the institution
that would aid the analyst in evaluating the financial
forecasts.**